

Message Text

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ACTION PM-07

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 2719

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CINCPAC

CHJUSMAG PHIL

C O N F I D E N T I A L MANILA 4381

CINCPAC FOR POLAD

FOR AMBASSADOR SULLIVAN

E.O. 11652: GDS

TAGS: MARR, BEXP, RP

SUBJECT: US-ASSISTED PHILIPPINE RIFLE MANUFACTURING PROJECT

REF: STATE 072725

1. EMBASSY WELCOMES OPPORTUNITY TO COMMENT ON DRAFT MEMORANDUM OF UNDERSTANDING FOR COLT M-16 PROJECT CONTAINED IN REFTEL AT THIS POINT IN CLEARANCE PROCESS, BECAUSE IT PROVIDES OPPORTUNITY TO REVIEW WITH WASHINGTON AGENCIES SOME APPARENT DIFFERENCES OF APPROACH THAT MUST BE CLARIFIED. BASIC COUNTRY TEAM VIEW IS THAT WE SHOULD GIVE GREATER STRESS TO ESSENTIALLY COMMERCIAL NATURE OF THE AGREEMENT BETWEEN COLT AND THE GOP, AND EMPHASIZE LESS THE APPARENT CO-PRODUCTION SLANT OF THE DRAFT MEMORANDUM OF UNDERSTANDING BETWEEN THE USG AND THE GOP.

2. WHILE COUNTRY TEAM UNDERSTANDS MUCH OF THE LANGUAGE OF DRAFT MEMO IS STANDARD FOR SUCH DOCUMENTS, WE WISH TO POINT OUT
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THAT EMPHASIS IN REFERENCE ON QUOTE CO-PRODUCTION UNQUOTE

HAS GIVEN DRAFT MEMORANDUM OF UNDERSTANDING EXCESSIVELY AND UNINTENTIONALLY PREEMPTORY TONE. PHIL PROJECT WITH COLT IS NOT REPEAT NOT STANDARD CO-PRODUCTION AGREEMENT (SEE MANILA 10627 - 180842Z SEP 73). DIRECT USG ROLE HAS BEEN INTENDED TO BE LIMITED TO (A) PROVISION OF FMS CREDITS OR FMS GUARANTIES OF \$15.6 MILLION, OUT OF TOTAL OF \$21.8 MILLION IN FOREIGN EXCHANGE GOP WILL EXPEND ON PROJECT AND (B) APPROVAL OF APPROPRIATE EXPORT LICENSES. AT LEAST IN LONG-HELD COUNTRY TEAM VIEW OF PROJECT, USG WAS TO BEAR NO REPEAT NO OTHER RESPONSIBILITY FOR EXECUTION OF GOP-COLT CONTRACT.

3. AS ADDRESSEES SHOULD BE AWARE, GOP HAS DRAWN UP PROJECT ENTIRELY ON ITS OWN WITH COLT AND WITH ITS LOCAL PRIME CONTRACTOR, THE ELISCO TOOL MANUFACTURING CORPORATION (ELITOOL), AS MAJOR STEP IN IMPLEMENTATION OF PHILIPPINE SELF-RELIANCE PLAN. PRODUCTION SIDE OF RIFLE PROJECT IS SEEN BY PHILS AS COMMERCIAL IN NATURE. GOP REQUEST THAT USG PROVIDE FMS CREDITS IS BASED ON (A) DESIRE TO OBTAIN LONG TERM FINANCING ON REASONABLE TERMS AND (B) BELIEF THAT USG SUPPORTS GOP ATTEMPTS TO ACHIEVE A REASONABLE DEGREE OF MILITARY SELF-RELIANCE FOR THE PHILIPPINES.

4. THUS, EMBASSY RECOMMENDS THAT USG APPROACH PROJECT IN SAME FASHION AND DISPENSE AS MUCH AS POSSIBLE WITH CO-PRODUCTION CONCEPT. ACCORDINGLY, WHEREVER QUOTE CO-PRODUCTION UNQUOTE APPEARS IN REFERENCE IT SHOULD BE CHANGED TO QUOTE PRODUCTION UNQUOTE.

5. STARTING FROM THIS APPROACH, EMBASSY RECOMMENDS CHANGE IN SECOND PHRASE OF PARA 3 AS FOLLOWS: QUOTE HAVE REVIEWED THE SELF RELIANCE OBJECTIVES OF THE GOP AND AGREE ETC UNQUOTE.

6. SIMILARLY, EMBASSY RECOMMENDS ELIMINATION OF MAXIMA AND MINIMA FIGURES IN PARA 6(1) REFERENCE SINCE THESE ARE SPELLED OUT IN ANNEX A OF DRAFT. PARA 6(1) WOULD READ THEREFORE QUOTE: THE OBJECTIVE OF THE PROGRAM IS THE ESTABLISHMENT BY THE GOP OF A FACILITY TO MANUFACTURE AND ASSEMBLE M-16 RIFLES OVER A FIVE YEAR PERIOD ALONG WITH ASSOCIATED SPARE PARTS, AS OUTLINED IN ANNEX A, "SCHEDULE
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OF M-16 RIFLE PRODUCTION ESTIMATES."

7. EMBASSY LELIEVES PARA 6(2) IS UNNECESSARY, PROBABLY UNENFORCEABLE AND POTENTIALLY HIGHLY OFFENSIVE. WE RECOMMEND ITS DELETION.

8. RE PARA 6(3)(B) REF, CAN ANTICIPATE GOP OBJECTION TO RESTRICTION ON PROCUREMENT ONLY FROM GOP OR USG SOURCES.

THIS RESTRICTION ON MIL ASST AGREEMENT HAS BEEN CONSTANT SOURCE OF IRRITATION AND APPROPRIATE MODIFICATION TO ALLOW 3RD COUNTRY PROCUREMENT HAS BEEN SOUGHT BY GOP IN THAT AGREEMENT AND MAY BE DESIRABLE IN THIS MEMORANDUM. EMB SUGGESTS INSERTING WORD QUOTE NORMALLY UNQUOTE AFTER THE QUOTE WILL UNQUOTE (4TH LINE, PARA 6(3)(B)) AND THE DELETION OF QUOTE UNLESS OTHERWISE AGREED BY BOTH GOVTS. UNQUOTE IN ANY EVENT, PARA 6(3)(B) SEEMS REDUNDANT TO 6(3)(A) WHERE GOP HAS AGREED TO CONTRACT WITH US FIRMS FOR SUCH ITEMS.

9. RE PARA 6(4)(C), RECOMMEND THAT WORD QUOTE PRODUCTION UNQUOTE BE SUBSTITUTED FOR WORD QUOTE ASSEMBLY UNQUOTE IN FIRST SENTENCE.

10. RE PARA 7(A) REFERENCE, EMBASSY PRESUMES INTENT OF PROSCRIPTION AGAINST GOP SALE, EXPORT OR TRANSFER APPLIES TO RIFLE PROGRAM ONLY AND DOES NOT APPLY TO OTHER ITEMS, SUCH AS AUTOMOBILE PARTS, THAT MIGHT BE MANUFACTURED ON MULTI-PURPOSE MACHINERY IN A MULTI-USE STEEL FORGING PLANT. RECOMMEND THAT QUOTE OR PRODUCED IN THIS PRODUCTION FACILITY UNQUOTE BE DROPPED.

11. RE PARA 8 REFTTEL, EMBASSY NOT SURE WHAT ROLE LIAISON OFFICERS WILL PLAY, BUT PROVISIO THAT VISITS TO PHILIPPINES BY USG LIAISON OFFICER, IF MADE AT REQUEST OF GOP, SHALL BE PAID FOR BY GOP SHOULD BE ADEQUATE GUARANTEE AGAINST EXCESSIVE NUMBER GOP REQUESTS. THIS TYPE OF LIAISON SEEMS NECESSARY ONLY IF FULL CO-PRODUCTION SCHEME CONTEMPLATED. THUS, WE WONDER WHETHER SUCH LIAISON IS NEEDED FOR THIS PROJECT.

12. RE PARA 9 REFERENCE, COUNTRY TEAM RECOMMENDS THIS PARAGRAPH
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BE MADE MORE DISCRETIONARY. SUGGESTED CHANGE AS FOLLOWS: QUOTE THE GOP WILL TAKE NECESSARY STEPS IN COOPERATION WITH THE LICENSOR, FOR SUCH PRODUCTION ENGINEERING, TOOLING CONTROL AND MAINTENANCE, AS WILL ENSURE, TO THE MAXIMUM EXTENT POSSIBLE, THE OPERATIONAL AND LOGISTIC INTERCHANGEABILITY AMONG THE M-16 RIFLES AND COMPONENTS BEING PRODUCED IN THE PHILIPPINES AND IN THE UNITED STATES UNQUOTE. CONCEPT OF INTERCHANGEABILITY - AS WELL AS INNOVATION - IS AMPLY COVERED IN COLT-GOP AGREEMENTS.

13. EMBASSY RECOMMENDS DELETION PARAGRAPH 11 AS BEING (A) CONTRARY TO PHILIPPINE LAW AND (B) NO REQUIRED BY COLT-GOP CONTRACTS.

14. EMBASSY UNDERSTANDS THAT OXMAN PLANNING TO COME TO

PHILIPPINES ON APRIL 30 OR MAY 1 TO NEGOTIATE DRAFT
MEMORANDUM. BELIEVE IT WOULD BE BETTER TO LET EMBASSY/
JUSMAG DISCUSS AN AGREED US GOVT TEXT WITH GOP TO SEE
WHETHER PROBLEMS WITH GOP MIGHT REQUIRE FURTHER DIALOGUE
WITH WASHINGTON BEFORE OXMAN VISIT.
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